Polarcus Limited

FIRST QUARTER REPORT 2010

FIRST QUARTER REPORT 2010 – FROM CONSTRUCTION TO PRODUCTION

HIGHLIGHTS

- Polarcus Nadia commenced production in January 2010
- Polarcus Naila delivered in February 2010 and commenced production in April 2010
- Increased backlog extending into Q3 for first two vessels
- New build program on track and the fourth vessel Polarcus Samur launched to sea in April 2010
- Revenues of MUSD 10.8, vessel operating expenses of MUSD 9.0

When Polarcus Nadia commenced production in January 2010, Polarcus reached its most important milestone to date in its quest to become a new seismic major. Polarcus successfully made the transition from a vessel building company to an operating seismic service provider. First confirmation of this came with a rapid and successful vessel shakedown followed by the announcement that TGS had extended its charter of Polarcus Nadia by an additional six months.

The first quarter also saw another important milestone as the company took delivery of Polarcus Naila in February 2010. She commenced production in April 2010 after transit to West Africa. On 25 February 2010, the company received a letter of intent for North Sea operations from the carbon capture and storage entity Gassnova SF confirming that Polarcus, with its Explore Green agenda, is well positioned to capture green projects.

In April, Polarcus also received a letter of award from Nexen Petroleum U.K. Limited for a 3D seismic acquisition project in the UK sector of the North Sea. The approximately 25 day's project will also be acquired by Polarcus Naila and will commence in June 2010.

FINANCIAL REVIEW

Key financial figures Amounts in USD thousands	**Quarter ended March 31**		**Year ended December 31**
	2010 (Unaudited)	**2009** (Unaudited)	**2009** (Audited)
Revenues	10,767	Nil	Nil
Vessel operating expenses	-9,011	Nil	-805
EBITDA	-3,730	-4,145	-19,358
EBIT excluding impairment charges (1)	-6,648	-4,197	-20,076
Net Financial Income/(Expenses)	-8,047	972	6,190
Profit/(Loss) for the period	-14,695	-3,225	-19,034
Basic earnings per share ($ per share)	-0.06	-0.03	-0.09
Net cash from operating activities	6,728	-3,499	-21,547
Total Assets (period end)	641,423	406,910	638,579
Total Liabilities (period end)	361,093	213,352	343,899
Total Equity (period end)	280,330	193,558	294,680
Equity Ratio	44%	48%	46%

(1) *Impairment charges of $5.1 million in Q3 2009 as a result of the restructuring of Polarcus Selma and Polarcus Alima.*

Operations

Revenues for the first quarter of 2010 were USD 10.8 million.

Polarcus Nadia commenced production on 25 January after 10 days of shakedown in line with Polarcus' and client expectations. Since commencing production she has achieved an average production rate of more than 50 square kilometers per day.

All technical issues related to towing and handlings of in-sea equipment were dealt with without significant disruption to ongoing operations. Similarly on the maritime side, there have been no significant disruptions. A short yard stay between contracts is being considered to rectify a warranty issue principally related to the propulsion system. Financial impact will be minimal.

Polarcus Naila was in transit to West Africa during the first quarter of 2010.

Vessel operating expenses for the first quarter of 2010 were USD 9.0 million. The two delivered vessels came straight out from the yard, hence costs of repair and maintenance were minimal. Low costs due to transit also contributed positively to low vessel operating expenses in the first quarter.

Sales, general and administrative costs were USD 5.5 million, of which salaries and other employee benefits accounted for USD 3.4 million and other general and administrative expenses for USD 2.1 million. In order to position Polarcus for potential work in Brazil, the company in January 2010 incorporated a subsidiary in Rio de Janeiro.

Financials

Financial expenses were USD 8.0 million comprising finance costs of USD 5.7 million, finance income of USD 1.5 million and changes in fair value of financial instruments of a negative USD 3.9 million. The fair value change is a non-cash item and relates to the loss on revaluation of the liability for warrants.

Please see the financial statements and note 11 for further information.

Capital investments

The total cash requirement for completing the four vessels is estimated at USD 714 million of which expenditure for seismic vessels and equipment is estimated at a total of USD 551 million and other expenditure at USD 163 million. Other expenditure includes financing costs, costs related to option for vessels 7 and 8, SG&A, working capital and buyback options for the two vessels which were sold during the company's restructuring that took place in July 2009. Expenditure for seismic vessels and equipment of USD 551 million is USD 34 million less than originally budgeted.

For further financial information, please see the financial statements and notes.

BACKLOG AND UTILISATION

Utilization Q1 2010	Total fleet
Exclusive Seismic Contract	55%
Multi-Client Seismic Contract	0%
Transit	35%
Shakedown	10%

The vessel statistics for the first quarter 2010 include Polarcus Nadia, which was in transit to West Africa on 1 January and Polarcus Naila, which started her transit to West Africa on 2 March 2010.

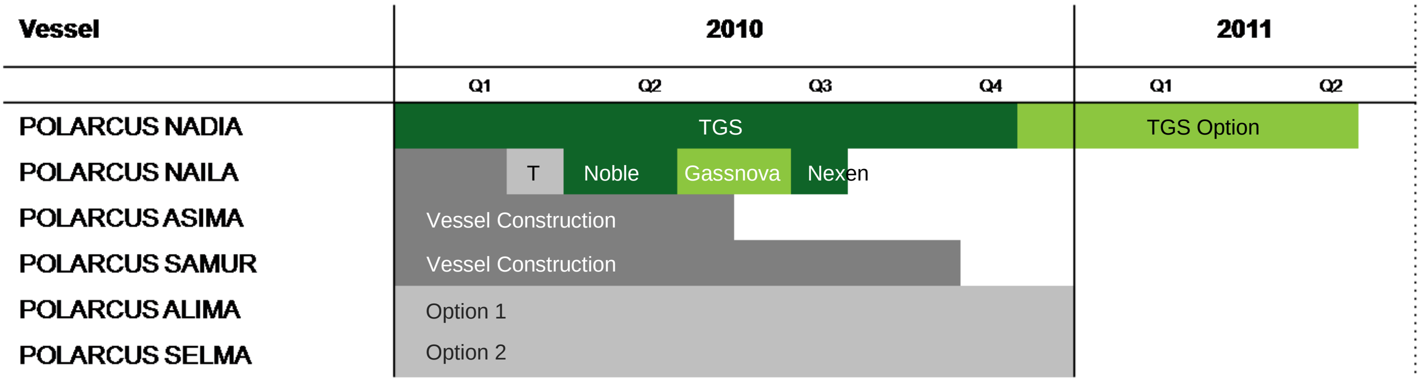
The increased seismic activity measured in number of invitations to tender has continued in the first quarter 2010. In combination with the track record Polarcus is building, we are comfortable about Polarcus' ability to continue to build backlog as has been evident in the first quarter.

In February 2010, TGS extended the Polarcus Nadia vessel charter, under pre-agreed commercial terms, for a further 6 months to commence in May 2010 upon completion of the initial 5,000 square kilometer program.

Also in February 2010, Polarcus received a Letter of Intent from Gassnova SF, the Norwegian state enterprise for carbon capture and storage, for two 3D seismic acquisition projects offshore Norway comprising a minimum 405 square kilometers and potentially up to a total of 900 square kilometers. The program will be acquired by Polarcus Naila.

Furthermore, Polarcus received a Letter of Award from Nexen Petroleum U.K. Limited for a 3D seismic acquisition project in the UK sector of the North Sea. The project will be acquired by Polarcus Naila.

As of 27 April, 100% of the available Q2 2010 capacity and 50% of the available Q3 2010 capacity has secured contracts. The backlog and vessel schedule as of 27 April 2010 was as follows:



NEW BUILD PROGRAM

The Company took delivery of Polarcus Naila in February 2010. Like her sister ship, Polarcus Nadia, she is one of the most environmentally sound 12 streamer 3D seismic vessels in the industry.

The vessel delivery schedule with progression as per 31 March 2010 was as follows:

Vessel	Completion per 31032010			To be delivered
	Steel cut	Steel constructed	Overall Construction	
Polarcus Asima – 12 streamer vessel	100%	100%	94%	Q2 2010
Polarcus Samur – 6 streamer wide tow vessel	100%	100%	77%	Q3 2010

Polarcus Selma and Polarcus Alima, which Polarcus has options to repurchase, are scheduled for delivery in Q4 2010.

ORGANIZATION

The recruitment of experienced high calibre professionals continued in Q1 2010. At the end of March, Polarcus had 237 employees; 53 more than at the end of the year 2009. 80% of the crew for Polarcus Asima has been hired of which the first few have started employment.

To accommodate the growth of the Company, Polarcus moved into its new offices in the Almas Tower, Jumeirah Lakes Towers, Dubai, in April 2010.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Polarcus Samur launched to sea

The Company's latest new build seismic vessel, Polarcus Samur, successfully launched to sea on 9 April 2010 at the Drydocks World - Dubai shipyard in the United Arab Emirates.

Polarcus Samur is the fourth vessel in the Polarcus fleet and the first of the ULSTEIN SX133 design with the high ice class notation, ICE-1A, enabling her to operate safely and effectively in the Arctic. The 84m vessel is purpose built for the high-end 3D marine seismic market and capable of towing up to 6 by 8,000 meter streamers in a unique wide tow configuration comprising 200 metres between streamers. Like the Polarcus Nadia, Polarcus Naila and Polarcus Asima launched before her, the double-hulled, DP2 class Polarcus Samur incorporates many new and innovative features designed to maximize operational performance, improve safety and comfort, and minimize emissions to air and water. Polarcus Samur is also fitted with the latest chemical-free ballast water treatment system to eliminate the risk of transporting and introducing invasive marine species into new environments.

Polarcus Naila commenced production

Polarcus announced on 12 April 2010, that after a successful mobilization, Polarcus Naila entered into production on her first project offshore Cameroon, West Africa. The contract is the 3D seismic acquisition project with Noble Energy Cameroon Limited which was announced on 2 December 2009. Acquisition of the 1570 square kilometer survey is on schedule for completion according to plan, with ~30% of prime acquisition completed 9 days after production commenced. This has been achieved with a 10x6000m spread, despite the complexities of shallow water, extreme currents (that have varied significantly in direction and magnitude) and elevated shipping and fishing traffic in and around the survey area.

Polarcus receives Letter of Award from Nexen

Polarcus announced on 20 April 2010 that it has received a Letter of Award from Nexen Petroleum U.K. Limited for a 3D seismic acquisition project in the UK sector of the North Sea. The project will be acquired by Polarcus Naila, the Company's second 12 streamer 3D seismic vessel. The project will commence in June 2010 and is expected to run for approximately 25 days.

Naming ceremony for Polarcus Asima

Polarcus Asima was named in April 2010 following an onboard tour by His Royal Highness Crown Prince Haakon of Norway. HRH Crown Prince Haakon was accompanied by His Excellency Mr Trond Giske, Minister of Trade and Industry Norway, Her Excellency Mrs Ase Elin Bjerke, Ambassador of Norway to the United Arab Emirates, His Excellency Mr Erik Lahnstein, Deputy Minister of Foreign Affairs Norway, and other distinguished guests and senior representatives of Polarcus and Drydocks World - Dubai. Polarcus Asima is the third vessel in the Polarcus fleet and the first with the high ice class notation, ICE-1A, enabling her to operate safely and effectively in the Arctic. The vessel has a maximum speed of 15 knots and is capable of deploying 12 streamers of 8,000m length at 100m separation.

FINANCIAL STATEMENTS

Interim Consolidated Income Statement

(In thousands of USD)	Notes	Quarter ended 31-Mar-10 (Unaudited)	Quarter ended 31-Mar-09 (Unaudited)	Year ended 31-Dec-09 (Audited)
Revenues		**10,767**	**-**	**-**
Vessel operating expenses		(9,011)	-	(805)
Sales, general and administrative costs	9	(5,486)	(4,145)	(18,553)
Depreciation		(2,918)	(52)	(718)
Impairment of vessels under construction		-	-	(5,148)
Total operating expenses		**(17,415)**	**(4,197)**	**(25,224)**
Operating profit/(loss)		**(6,648)**	**(4,197)**	**(25,224)**
Financial expenses				
Finance costs	10	(5,738)	(489)	(4,946)
Finance income	11	1,542	1,010	3,408
Changes in fair value of financial instruments	6, 12	(3,851)	451	7,728
Net financial income/(expenses)		**(8,047)**	**972**	**6,190**
Profit/(Loss) for the period before tax		**(14,695)**	**(3,225)**	**(19,034)**
Income tax expense		-	-	-
Net profit/(loss) for the period		**(14,695)**	**(3,225)**	**(19,034)**
Profit/(Loss) per share for loss attributable to the equity holders during the period *(In USD)*				
- Basic		**(0.056)**	**(0.032)**	**(0.089)**
- Diluted		**(0.056)**	**(0.032)**	**(0.114)**

Interim Consolidated Statement of Comprehensive Income

(In thousands of USD)	Notes	Quarter ended 31-Mar-10 (Unaudited)	Quarter ended 31-Mar-09 (Unaudited)	Year ended 31-Dec-09 (Audited)
Profit/(loss) for the period		**(14,695)**	**(3,225)**	**(19,034)**
Net gain/(loss) on cash flow hedges		-	6,855	4589
Other comprehensive income/(loss) for the period		**-**	**6,855**	**4,589**
Total comprehensive income/(loss)		**(14,695)**	**3,629**	**(14,445)**

Interim Consolidated Balance Sheet

(In thousands of USD)	Notes	31-Mar-10 (Unaudited)	31-Mar-09 (Unaudited)	31-Dec-09 (Audited)
ASSETS				
Non-current assets				
Property, plant and equipment	3	275,652	879	160,158
Vessels under construction	4	184,370	270,409	266,019
Vessels buyback options	5	40,831	-	40,831
Intangible assets		4,307	641	4,279
Restricted cash - Long term		1,362	1,090	1,362
Total non-current assets		**506,522**	**273,019**	**472,649**
Current assets				
Prepaid expenses		4,094	813	13,264
Other current assets		4,293	562	2,179
Restricted cash - Short term		35,486	59,882	35,163
Cash and bank		85,686	72,634	115,324
Accounts receivable		5,342	-	-
Total current assets		**134,901**	**133,891**	**165,930**
TOTAL ASSETS		**641,423**	**406,910**	**638,579**
EQUITY and LIABILITIES				
Equity				
Issued share capital	6	5,264	2,036	5,264
Share premium		303,583	188,641	303,583
Other reserves		7,600	8,495	7,255
Retained earnings/(loss)		(36,117)	(5,613)	(21,422)
Total equity		**280,330**	**193,558**	**294,680**
Non-current liabilities				
13% Senior secured bonds		53,580	53,264	53,496
8.5% Convertible bonds		30,403	29,371	30,131
Advance from sale lease-back fund		-	45,945	67,745
Long-term finance lease	7	185,876	-	100,836
Other long-term debt	8	6,458	-	7,250
Liability for warrants	6,12	7,058	10,483	3,207
Employee pension accrual		1,240	162	933
Total non-current liabilities		**284,615**	**139,225**	**263,598**
Current liabilities				
Interest payable		3,251	2,660	5,306
Employee accruals and payables		2,215	905	2,293
Other accrued expenses		4,740	148	3,862
Deferred payments to vendors		29,138	-	29,138
Long-term finance lease current portion	7	11,465	-	9,123
Other long-term debt current portion	8	4,412	-	4,327
Accounts payable		21,257	70,415	26,252
Total current liabilities		**76,478**	**74,127**	**80,301**
TOTAL EQUITY and LIABILITIES		**641,423**	**406,910**	**638,579**

Interim Consolidated Statement of Cash Flows

(In thousands of USD)	Quarter ended 31-Mar-10 (Unaudited)	Quarter ended 31-Mar-09 (Unaudited)	Year ended 31-Dec-09 (Audited)
Cash flows from operating activities			
Profit/(loss) for the period before tax	(14,695)	(3,225)	(19,034)
Adjustment for:			
Depreciation	2,919	52	718
Impairment of vessels under construction	-	-	5,148
Finance costs	-	-	353
Changes in fair value of financial instruments	3,851	(451)	(7,728)
Stock options compensation provision	345	325	1,351
Interest income	(45)	(217)	(414)
Working capital adjustments:			
Decrease/(Increase) in current assets	1,714	(532)	(14,600)
Increase in trade and other payables and accruals	12,639	549	12,660
Net cash flows from operating activities	**6,728**	**(3,499)**	**(21,547)**
Cash flows from investing activities			
Decrease/(Increase) in restricted cash	(323)	23,347	47,794
Purchases of property, plant and equipment	(58,315)	(105,427)	(255,970)
Payments for vessels buyback options	-	-	(40,831)
Payments to acquire intangible assets	(28)	(57)	(295)
Interest income	-	-	-
Net cash flows used in investing activities	**(58,666)**	**(82,138)**	**(249,302)**
Cash flows from financing activities			
Proceeds from the issuance of ordinary shares	-	-	124,625
Transaction costs on issue of shares	-	-	(6,456)
Proceeds from the issuance of senior secured bonds	-	-	-
Proceeds from the issuance of convertible bonds	-	-	-
Receipt from sale lease-back fund	22,255	45,945	157,745
Interest income	45	217	414
Net cash flows from financing activities	**22,300**	**46,161**	**276,329**
Hedged gain/(loss) on revaluation of restricted cash (Other reserves)	-	6,855	4,589
Net increase/(decrease) in cash and cash equivalents	**(29,638)**	**(32,620)**	**10,070**
Cash and cash equivalents at the beginning of the period	115,324	105,254	105,254
Cash and cash equivalents at the end of the period	**85,686**	**72,634**	**115,324**

Interim Consolidated Statement of Changes in Equity

(In thousands of USD except for number of shares)	**Number of Shares**	**Issued Share capital**	**Share Premium**	**Other Reserves**	**Retained Earnings/ (Loss)**	**Total Equity**
Balance as of 1 January 2009	**203,571,855**	**2,036**	**188,642**	**5,904**	**(6,977)**	**189,605**
Total comprehensive income/(loss) for the period		-	-	-	(14,445)	(14,445)
Consolidation of share capital						
11 September 2009 (at 2:1 from USD 0.01 to USD 0.02 per share)	(101,785,928)	-	-	-	-	-
Issue of share capital						
17 September 2009 to avoid fractional shares after consolidation	3.50	-	-	-	-	-
29 September 2009 at NOK 4.50 (USD 0.77) per share	161,388,889	3,228	121,397	-	-	124,625
Transaction costs on issue of shares		-	(6,456)	-	-	(6,456)
Employee stock options provision		-	-	1,351	-	1,351
Balance as of 31 December 2009	**263,174,820**	**5,264**	**303,583**	**7,255**	**(21,422)**	**294,680**
Total comprehensive income/(loss) for the period		-	-	-	(14,695)	(14,695)
Employee stock options provision		-	-	345	-	345
Balance as of 31 March 2010	**263,174,820**	**5,264**	**303,583**	**7,600**	**(36,117)**	**280,330**

Notes to the interim consolidated financial statements

1. General Information

The interim condensed consolidated financial statements of Polarcus Limited (the "Company") and its subsidiaries (together the "Group") for the quarter ended 31 March 2010 were authorized for issue in accordance with a resolution of the Board of Directors on 27 April 2010.

Polarcus Limited is a pure play marine geophysical company with a pioneering environmental agenda, specializing in high-end towed streamer data acquisition from Pole to Pole.

Polarcus Limited was incorporated on 17 December 2007 in the Cayman Islands with its registered office at Walker House, 87 Mary Street, George Town, Grand Cayman, Cayman Islands. The Group has its main administration office in Dubai, United Arab Emirates which is the domicile of the Group

The Group has two 12 streamer 3D vessels, Polarcus Nadia and Polarcus Naila that are currently operational. All four vessels in the Polarcus fleet will be fully operational within 2010.

1.1 Financing

Due to global economic conditions, the Company in July 2009 carried out a restructuring of the Group. Under the restructuring the Company sold two of its vessel owning subsidiaries, Polarcus 4 owning the vessel Polarcus Selma and Polarcus 6 owning the vessel Polarcus Alima to Zickerman Holding Limited and Zickerman Group Limited (together "ZL") for a consideration of USD 1 each per vessel. ZL will, after this transaction, carry all financial obligations related to Polarcus 4 and Polarcus 6. The Group has an option to repurchase each of Polarcus Selma and Polarcus Alima or the corresponding vessel owning companies at a price equal to the remaining cost of completing each vessel.

The total cash requirement of completing the four vessels is estimated at USD 714 million of which expenditures for seismic vessels and equipment is estimated at a total of USD 551 million and other expenditures at USD 163 million. Other expenditures include financing costs, costs related to option with yard to build vessels 7 and 8, SG&A, working capital and buyback option for the two vessels which were sold during restructuring. Expenditure for seismic vessels and equipment of USD 551 million is USD 34 million less than originally budgeted. As of 31 March 2010, the Group has secured the following financing totalling USD 737 million:

Equity	USD 337 million
Senior secured bond	USD 55 million
Convertible bond	USD 35 million
Sale & lease back (on first two vessels)	USD 180 million
Vendor financing	USD 50 million
Loan facility	USD 80 million

Accordingly, the Group has secured the financing required to complete the construction of its four vessels including the working capital requirement of the Group. If the Group decides to exercise the buyback options for Polarcus Selma and Polarcus Alima, which is the current intention of the Company, additional capital expenditure financing of approximately USD 250 million will be required.

The Group has, through an amendment to the shipbuilding contract for Polarcus Asima dated 29 July 2009, entered into a deferred payment arrangement with the shipyard under which all but one installment due under the original shipbuilding contract are deferred from the scheduled milestone payment dates to the actual delivery date of the vessel. The total value of the deferred installments amounts to USD 29 million. An interest rate of LIBOR + 3% per annum applies on each deferred installment from the time such installment should have been paid under the original shipbuilding contract to the time of the contractual delivery date and thereafter an interest rate of 7% per annum applies until the amount is paid to the shipyard.

2. Significant Accounting Policies

These interim condensed consolidated financial statements for the quarter ended 31 March 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Group for the year ended 31 December 2009.

The accounting policies applied by the Group in these interim condensed consolidated financial statements are consistent with those applied in the audited consolidated financial statements for the year ended 31 December 2009 unless otherwise stated. Refer to Note 2 *Summary of Significant Accounting Policies* to the Consolidated Financial Statements in the 2009 Annual Report for information on the Company's accounting policies.

3. Property, Plant and Equipment

(In thousands of USD)

	Seismic vessels and equipment	Furniture and fixtures	Office IT Equipment	Office Equipment	Total
Costs					
Balance at 1 January 2010	159,692	551	647	-	160,890
Additional capital expenditures	3,402	-	-	104	3,505
Assets under finance leases	114,866				114,866
Disposals	-	-	-	-	-
Balance as of 31 March 2010	277,960	551	647	104	279,262
Depreciation and impairment losses					
Balance at 1 January 2010	418	149	165	-	732
Depreciation for the period	2,817	27	34	-	2,879
Disposals	-	-	-	-	-
Balance as of 31 March 2010	3,234	176	199	-	3,610
Carrying amounts					
As of 1 January 2010	159,275	402	482	-	160,158
As of 31 March 2010	**274,726**	**375**	**448**	**104**	**275,652**
Carrying amounts held under finance lease as of 31 March 2010	**249,894**	**-**	**-**	**-**	**249,894**

In February 2010, the Group took delivery of its second vessel, Polarcus Naila. The cost of the vessel incurred up to delivery was USD 114.9 million. Polarcus Naila is subject to a sale and lease-back financing arrangement. Also refer to Note 6 Long-term Finance Lease. Further details of the sale and lease-back financing arrangement are available in the Group's audited consolidated financial statements for the year ended 31 December 2009.

4. Vessels under Construction

(In thousands of USD)

Vessel Name	Polarcus Naila	Polarcus Samur	Polarcus Asima	(Option-1)	(Option-2)	Total
Vessel Type	SX 124	SX 133	SX 134	SX 134	SX 134	
Balance as of 1 January 2010	**94,033**	**71,990**	**92,458**	**3,769**	**3,769**	**266,019**
Additions in the year:						
Vessel and equipment	16,674	2,586	4,920	-	-	24,179
Project Overheads	561	647	947	-	-	2,155
Project Financing costs	3,598	1,871	1,414	-	-	6,883
Disposals	-	-	-	-	-	-
Transfers to property, plant & equipment	114,866	-	-	-	-	114,866
WIP value per vessel as of 31 March 2010	**-**	**77,094**	**99,739**	**3,769**	**3,769**	**184,370**

The vessel Polarcus Naila was delivered on 24 February 2010. Refer to Note 3 Property, Plant and Equipment for further details.

The vessel Polarcus Samur is pledged as security for the senior secured bond and interest accrued thereon. The details of this financing arrangement are available in the Group's audited consolidated financial statements for the year ended 31 December 2009.

The Group has on 14 September 2009 entered into a facility agreement with Eksportfinans ASA and DVB Bank SE for a USD 80 million loan facility. The Eksportfinans tranche of the facility (USD 55 million) relates to financing of Norwegian equipment onboard the vessels Polarcus Samur and Polarcus Asima. This has been guaranteed by the Norwegian Guarantee Institute for Export Credits (GIEK). The DVB Bank tranche (USD 25 million) relates to financing of the vessel Polarcus Asima. The vessel Polarcus Asima has been pledged as security for this loan facility. The facility can be drawn post delivery of the vessel from the shipyard.

Commitments outstanding under vessel construction contracts as of 31 March 2010 are as per below;

(In thousands of USD)

Vessel Name	Polarcus Nadia	Polarcus Naila	Polarcus Samur	Polarcus Asima	(Option-1)	(Option-2)	Total
Vessel Type	SX 124	SX 124	SX 133	SX 134	SX 134	SX 134	
Total commitments	114,659	114,034	104,921	137,425	3,769	3,769	478,577
Total spent	114,146	111,020	64,919	94,035	3,769	3,769	391,658
Total	**513**	**3,014**	**40,002**	**43,390**	**-**	**-**	**86,919**

All of the above commitments are due within one year from 31 March 2010. Related to the construction options 1 and 2, the Company is committed to pay a cancellation fee of approximately USD 2 million if the options are not exercised before October 2010.

5. Vessel Buyback Options

On 30 July 2009 the Group sold two of its vessel owning entities Polarcus 4, owning the rights to vessel Polarcus Selma, and Polarcus 6, owning the rights to vessel Polarcus Alima, to its main founders Zickerman Holding Limited and Zickerman Group Limited (together "ZL"). ZL will complete the maritime work on Polarcus Selma and Polarcus Alima and include all fixed equipment that is required in order to constitute each vessel as a fully prepared seismic vessel. Polarcus has cancelled the orders for movable seismic and positioning equipment related to these vessels.

The Group has the option to repurchase each of Polarcus Selma and Polarcus Alima or the corresponding vessel owning companies from ZL at a price equal to the remaining cost of completing each vessel. The options are valid until delivery of each vessel, and subsequently are replaced with a right of first refusal to purchase each of the vessels. The Group had already invested USD 46 million in these two vessels at the date of sale. An impairment loss of USD 5 million relating to prepaid seismic equipment that was cancelled, capitalized internal interest costs and expenses, was recorded as impairment of vessels under construction at the time of the transaction. The remaining carrying value of USD 20 million for Polarcus Selma and USD 21 million for Polarcus Alima will be subtracted from the purchase price if the Group exercises its right to repurchase one or both of these vessels. This amount is recorded as Vessel buyback options under Non-current Assets in the Group's Consolidated Balance Sheet. If the options are exercised, which is the current intention of the management, additional capital expenditure financing of approximately USD 250 million will be required. If the Group chooses not to, or is unable to exercise the buyback options, the above values will be written-off as an impairment loss.

The value of vessel buyback options as of 31 March 2010 are made up as per below;

(In thousands of USD)

	Polarcus Selma	**Polarcus Alima**	**Total**
Total amount invested by the Group as of the date of sale	22,060	23,919	45,979
Impairment loss booked	(2,153)	(2,995)	(5,148)
Total	**19,907**	**20,924**	**40,831**

The Group will continue to supervise the ongoing construction of the vessels and liaise with the suppliers of equipment related to the vessels. The cost related to this work is estimated to USD 1.7 million per vessel (USD 3.4 million in total) and is recorded as an intangible asset with credit in other accrued expenses as consideration for the options to buy back vessels Polarcus Selma and Polarcus Alima. If the Group chooses not, or is unable to exercise the buyback option(s), the USD 1.7 million per vessel will be written-off as an impairment loss.

6. Share capital, Share options and Warrants

6.1 Share Capital

The Company's authorized share capital is USD 7,040,000 divided into 352,000,000 shares at par value of USD 0.02.

The total issued share capital of the Company as of 31 March 2010 is USD 5,263,497 divided into 263,174,820 shares at par value of USD 0.02. All issued shares have been paid in as of 31 March 2010.

6.2 Warrants

The Group has issued 21,250,000 warrants to the founding share holders, each giving the right to subscribe for one new ordinary share. All the warrants were issued on 14 March 2008 and no further warrants were issued during the quarter ended 31 March 2010. The warrants have been determined to be a liability because they fail to meet the requirements of fixed amount of cash or fixed amount of a Company's own shares as required by IAS 32. Consequently, the fair value of the warrants at the issue date of USD 18.7 million has been recorded as a distribution to shareholders directly in Equity. Subsequent to issuance, the liability is recorded at fair value at each balance sheet date and the resulting change in fair value is recognized in the income statement within changes in fair value of financial instruments – net. A loss of USD 3,850,999 has been recorded during the quarter ended 31 March 2010. Also refer to Note 11 *Changes in fair value of financial instruments*. As of 31 March 2010 no warrants were exercisable.

6.3 Stock Options

The Group has granted share options to executive management and other selected employees. As of 31 March 2010 the Group has issued 4,920,000 options of which 395,000 were issued during the quarter ended 31 March 2010. The total fair value of options granted up to 31 March 2010 is USD 4.32 million calculated using the Black-Scholes model, assuming all options will be exercised. For the quarter ended 31 March 2010, the Group has expensed USD 345,006 towards stock options granted as employee compensation. As of 31 March 2010 none of the options were exercisable.

7. Long-term Finance Lease

Upon delivery from the shipyard, the vessels Polarcus Nadia and Polarcus Naila were sold to GSH2 Seismic Carrier I AS (the 'lessor') according to the sale and lease-back financing arrangement entered into on 30 June 2008 as amended on 29 July 2009. The purchase price of USD 90 million each per vessel (total USD 180 million) is fully paid by the lessor to the Group in installments throughout the vessel construction period. Immediately upon the sale of the vessels, the Group leased back the vessels from the lessor at a fixed charter rate of USD 35,000 per day, payable in arrears throughout the duration of the charter period. This arrangement falls under the category of finance lease as described under IAS 17. Accordingly at the inception of the lease USD 180 million has been recorded as a liability.

The Company has entered into lease agreements with Sercel Inc, Houston to acquire marine acquisition equipment (the "streamer systems"). The duration of each lease is 30 months and the Company has an option to purchase the streamer systems at any time during the lease period. As of 31 March 2010, streamer systems worth USD 22,967,920 were leased under this arrangement.

The outstanding liability for above mentioned finance leases as of 31 March 2010 are further classified into long term and short term portions as per below;

(In thousands of USD)

	Due after 12 months from 31-Mar-2010	**Due within 12 months from 31-Mar-2010**	**Total**
Lease payments for the vessels Polarcus Nadia and Polarcus Naila	174,283	4,033	178,316
Lease payments for streamer systems	11,593	7,432	19,026
Total	**185,876**	**11,465**	**197,342**

8. Other Long-term Debt

The Company has acquired some of the streamer systems from Sercel Inc, Houston by way of a 40% down payment. The remaining 60% of the purchase price is payable through 36 monthly installments including interest at 8% per annum. The affected streamer system has been pledged as security for this arrangement. The total value of equipment acquired under this arrangement is USD 22,631,523. As of 31 March 2010, the Company has paid USD 11,760,912 against the total liability and the remaining liability has been classified into long term and short term portions as per below;

(In thousands of USD)	**31-Mar-10**	**31-Mar-09**	**31-Dec-09**
Installments due after 12 months from the balance sheet date	6,458	-	7,250
Installments due within 12 months from the balance sheet date	4,412	-	4,327
Total	**10,870**	**-**	**11,577**

9. Sales, General and Administrative Costs

Sales, general and administrative costs consist of the following;

(In thousands of USD)

	Quarter ended		Year ended
	31-Mar-10	**31-Mar-09**	**31-Dec-09**
Salaries and other employee benefits	3,433	3,146	12,263
Other general and administrative expenses	2,053	999	6,290
Total	**5,486**	**4,145**	**18,553**

10. Finance Costs

(In thousands of USD)

	Quarter ended		Year ended
	31-Mar-10	**31-Mar-09**	**31-Dec-09**
Interest expenses on senior secured bond	1,871	1,860	7,455
Interest expenses on convertible bond	1,016	983	3,974
Interest expenses on deferred payments to the shipyard	477	482	588
Interest expenses on lease arrangements	5,378	-	1,198
Other interest expenses	584	-	-
Interest expenses capitalised to vessels under construction	(4,257)	(3,325)	(10,737)
Net interest expenses	**5,069**	**-**	**2,478**
Realised currency exchange loss	342	489	1,251
Unrealised currency exchange loss	327	-	864
Other financial losses	-	-	353
Total	**5,738**	**489**	**4,946**

11. Finance Income

(In thousands of USD)

	Quarter ended		Year ended
	31-Mar-10	**31-Mar-09**	**31-Dec-09**
Interest income from deposit with banks	45	217	414
Realised exchange gain	1,453	276	556
Unrealised exchange gain	44	517	2,438
Total	**1,542**	**1,010**	**3,408**

The realized currency gain or loss represents the effect of foreign currency payments made and the unrealized currency gain or loss represents the effect of revaluation of foreign currency financial assets other than those treated as cash flow hedging instruments.

12. Changes in Fair value of Financial Instruments

The changes in fair value of financial instruments represent the profit or loss on revaluation of liabilities on warrants issued. Also refer to Note 5.2 *Warrants*. The fair value of the warrant liability at each balance sheet date and the profit or loss on revaluation for the periods reported are as per below;

(In thousands of USD)

	Quarter ended		Year ended
	31-Mar-10	**31-Mar-09**	**31-Dec-09**
Warrant liability at fair value on the balance sheet dates	7,058	10,483	3,207
Profit/(loss) on revaluation of the fair value of warrant liability	(3,851)	451	7,728

13. Transactions with Related Parties

Drydocks World Dubai ("DWD") holds 14.25% of the paid-in share capital of the Company as at 31 March 2010. Below is a summary of major transactions between DWD and the Group during the quarter ended 31 March 2010;

(In thousands of USD)

Payments made in the year under ship building contracts	14,768
Payments due included in Accounts payable	12,124
Payable under the deferred payment arrangement (Refer to Note 1.1)	29,138
Total payable (within 12 months from 31 March 2010)	**41,262**
Accrued finance cost as of 31 March 2010	1,564
Equipment sold at cost by the Company during the restructuring (Refer to Note 1.1)	21,730
Payments received towards equipment sold prior to 31 December 2009	13,456
Payments received towards equipment sold during the quarter ended 31 March 2010	8,274
Balance receivable as of 31 March 2010	-

14. Subsequent events

Polarcus Samur launched to sea

The Company's latest new build seismic vessel, Polarcus Samur, successfully launched to sea on 9 April 2010 at the Drydocks World - Dubai shipyard in the United Arab Emirates.

Polarcus Samur is the fourth vessel in the Polarcus fleet and the first of the ULSTEIN SX133 design with the high ice class notation, ICE-1A, enabling her to operate safely and effectively in the Arctic. The 84m vessel is purpose built for the high-end 3D marine seismic market and capable of towing up to 6 by 8,000 meter streamers in a unique wide tow configuration comprising 200 metres between streamers. Like the Polarcus Nadia, Polarcus Naila and Polarcus Asima launched before her, the double-hulled, DP2 class Polarcus Samur incorporates many new and innovative features designed to maximize operational performance, improve safety and comfort, and minimize emissions to air and water. Polarcus Samur is also fitted with the latest chemical-free ballast water treatment system to eliminate the risk of transporting and introducing invasive marine species into new environments.

Polarcus Naila commenced production

Polarcus announced on 12 April 2010, that after a successful mobilization, Polarcus Naila entered into production on her first project offshore Cameroon, West Africa. The contract is the 3D seismic acquisition project with Noble Energy Cameroon Limited which was announced on 2 December 2009. Acquisition of the 1570 square kilometer survey is on schedule for completion according to plan, with ~30% of prime acquisition completed 9 days after production commenced. This has been achieved with a 10x6000m spread, despite the complexities of shallow water, extreme currents (that have varied significantly in direction and magnitude) and elevated shipping and fishing traffic in and around the survey area.

Polarcus receives Letter of Award from Nexen

Polarcus announced on 20 April 2010 that it has received a Letter of Award from Nexen Petroleum U.K. Limited for a 3D seismic acquisition project in the UK sector of the North Sea. The project will be acquired by Polarcus Naila, the Company's second 12 streamer 3D seismic vessel. The project will commence in June 2010 and is expected to run for approximately 25 days.

Naming ceremony for Polarcus Asima

Polarcus Asima was named in April 2010 following an onboard tour by His Royal Highness Crown Prince Haakon of Norway. HRH Crown Prince Haakon was accompanied by His Excellency Mr Trond Giske, Minister of Trade and Industry Norway, Her Excellency Mrs Ase Elin Bjerke, Ambassador of Norway to the United Arab Emirates, His Excellency Mr Erik Lahnstein, Deputy Minister of Foreign Affairs Norway, and other distinguished guests and senior representatives of Polarcus and Drydocks World - Dubai. Polarcus Asima is the third vessel in the Polarcus fleet and the first with the high ice class notation, ICE-1A, enabling her to operate safely and effectively in the Arctic. The vessel has a maximum speed of 15 knots and is capable of deploying 12 streamers of 8,000m length at 100m separation.

STRATEGY

Vision

"To be a pioneer in an industry where the frontiers of seismic exploration are responsibly expanded without harm to our world".

Core values

In support of the vision, a set of 'core values' define Polarcus' ethos and the way management, employees and contractors are expected to perform within the business:

Responsibility – for our actions, for each other, and for the environment and the world around.
Innovation – in business and in operations.
Excellence – in delivery for shareholders and clients alike.

Goal

"By 2012 to be the most environmentally responsible towed marine seismic service provider, with a strong focus on risk management and specializing in the high end 3D market and the Polar Regions whilst achieving 40% EBITDA margin, 10% market share and long term shareholder value".

Execution

Polarcus' has a nine point business execution strategy comprising the following key elements:

Pioneering the environmental agenda.
Optimize fleet configuration and composition.
Recruit, develop and retain the highest calibre industry professionals.
Develop a world-class service offering.
Maximize operational performance.
Develop and maintain an effective marketing and sales organization.
Build a strong risk management culture and ensure adoption in key decision making processes.
Optimizing financing requirements.
Establish an optimal organizational structure and cost control programs.

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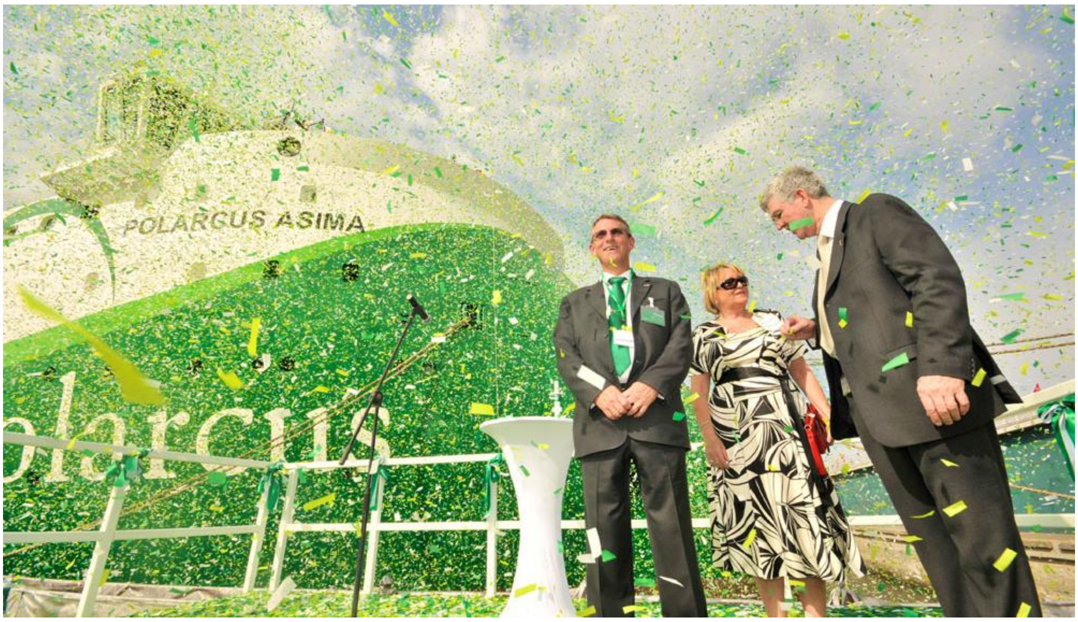

Polarcus Asima Naming Ceremony

www.polarcus.com